

Message Text

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ACTION AF-06

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E.O. 11652: N/A

TAGS: EFIN, SU, US

SUBJECT: KH CEMENT PLANT PROJECT

REF: KHARTOUM 0330

1. LAST EVENING (FEB 4) AMBASSADOJ HAD OPPORTUNITY FOR EXTENDED DISCUSSION SUBJECT PROJECT WITH MININDUSTRY BADR AL-DIN SULIMAN (DETAILED MEMCON BEING POUCHED). SULIMAN'S MAIN POINTS WERE THAT HE HAD GRANTED ORIGINAL LICENSE AGAINST HIS BETTER JUDGMENT AND ONLY BECAUSE HE HAD BEEN ASSURED BY KH THAT OPERATIONS COULD COMMENCE WITHIN SIX MONTHS. NOTHING HAD BEEN DONE. MOREOVER, KH HAD PROPOSED \$55 A TON TO THE CONCESSIONARY PRICE OF ANNUAL GOS ENTITLEMENT OF 100,000 TONS CEMENT. SULIMAN CLAIMED AN APPROPRIATE FIGURE WOULD HAVE BEEN APPROXIMATELY 1/2 THAT AMOUNT, ASSERTING THAT OPERATION WITH SUCH HIGH COST CEMENT COULD NOT SELL A SACK IN MID-EAST AREA. SULIMAN CLAIMED KH REPS HAD HAD MEETING WITH NIMEIRI DAY OR SO AGO AT WHICH NIMEIRI HAD PRESSED COMPANY TO REVISE ITS PRICING ARRANGEMENTS AND KH HAD UNDERTAKEN TO REVIEW MATTER. SULIMAN THOUGHT GROUP SCHEDULED SEE HIM FEB 5 FOR DETAILED DISCUSSIONS.

2. SULIMAN SAID OTHER VENTURES WITH AMERICAN FIRMS GOING AHEAD WELL AND HE HOPED KH PROBLEM WOULD NOT INTERFERE WITH SUCH MOUNTING INTEREST. AMBASSADOR SAID IT WAS PRECISELY

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ON THAT GROUND THAT HE WISHED EXPRESS CONCERN SINCE VALID LICENSE HAD BEEN ISSUED AND KH GIVEN ENCOURAGEMENT TO MOVE FORWARD, IT WOULD BE DIFFICULT EXPLAIN SUDDEN SWITCH IN SIGNALS TO OTHER AMERICANS INTERESTED IN POSSIBLE BUSINESS HERE. NOTING THERE APPEARED BE MISUNDERSTANDINGS ON BOTH SIDES, AMBASSADOR CONCLUDED THAT HE WAS PLEASED SULIMAN WOULD DISCUSS ISSUE WITH GROUP AGAIN AND HOPED THAT MUTUALLY ACCEPTABLE ARRANGEMENTS COULD STILL BE REACHED.

3. COMMENT. CONVERSATIONS WITH CONTROVERSIAL MININDUSTRY PARTAKE MORE OF CHARACTER OF HARANGUE THAN DIALOGUE. SULIMAN SPOKE AS IF HE RETAINED NIMEIRI'S FULL CONFIDENCE BUT HIS WILLINGNESS RECEIVE GROUP AGAIN SUGGESTS THAT SOME COMPROMISE MAY STILL BE FEASIBLE. WE REMAINING IN CLOSE TOUCH WITH FIRM BUT INCREASINGLY CONVINCED THAT, ON KEY QUESTION OF FINANCING, KH CANNOT EXPECT ANY SPECIAL GOS SUPPORT. BREWER

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